

EXECUTIVE DIGEST

**MICHIGAN EQUITY PROGRAM -
REGIONAL CULTURAL ACTIVITIES**

INTRODUCTION

This report, issued in May 1997, contains the results of our performance audit* of the Michigan Equity Program - Regional Cultural Activities* (MEP-RCA), Department of Consumer and Industry Services.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and pursuant to the requirement in the Department of Consumer and Industry Services appropriations act which requires the Auditor General to audit a representative sample of MEP-RCA contracts.

BACKGROUND

The Legislature appropriated funds for cultural activities to the Department to provide grants to cities, villages, and townships with populations of 1,000,001 or more (Type I), 125,001 - 1,000,000 (Type II), 40,001 - 125,000 (Type III), and 40,000 or less (Type IV).

The Michigan Council for Arts and Cultural Affairs* (MCACA) administered all MEP-RCA grants for fiscal years 1993-94 and 1994-95.

The mission* for MCACA is to advise the Governor and the director of the Department of Consumer and Industry Services on matters relating to arts and cultural affairs and to disburse, fund, and make grants to public and private arts and cultural entities.

In fiscal year 1994-95, the Legislature appropriated \$8,040,300 for grants to cities, villages, and townships for regional cultural activities. The Department utilized these appropriations to execute contracts with 59 cities, villages, and townships for 129 regional cultural projects.

As of August 31, 1996, MCACA had 9 employees.

**AUDIT OBJECTIVE,
CONCLUSION, AND
NOTEWORTHY
ACCOMPLISHMENT**

Audit Objective: To assess the effectiveness* and efficiency* of the Department's administration of MEP-RCA.

Conclusion: The Department administered the awarding and distribution of MEP-RCA grants effectively and efficiently. However, we noted reportable conditions* related to monitoring grantee compliance with MEP-RCA contracts (Finding 1), developing control procedures for final grant awards (Finding 2), evaluating the effectiveness of MEP-RCA (Finding 3), strengthening accountability over MEP-RCA applications and application fees (Finding 4), and

monitoring the submission of grantee audited financial statements (Finding 5).

Noteworthy Accomplishment: In response to our prior audit, the Department of Consumer and Industry Services implemented some monitoring procedures. In fiscal year 1993-94, the Department strengthened its grant monitoring and required grantees to submit detailed expenditure documentation, such as invoices and time sheets, to support their payment requests.

Also, in our prior audit, we recommended that the Department establish procedures to evaluate the effectiveness of MEP-RCA. During our audit, the Department established goals* and objectives* and some program performance measures*. However, MCACA stated that it lacked the staffing resources to undertake the evaluation.

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Michigan Equity Program - Regional Cultural Activities. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included assessing the internal control structure* applicable to our audit objective. Our

assessment consisted of a review of statutes and rules and discussions with Department personnel to obtain an understanding of the internal control structure.

We reviewed a sample of funded and nonfunded grant applications and assessed the Department's application scoring and grant awarding process to ascertain if grants were awarded fairly and equitably. We also reviewed a sample of funded projects and assessed the adequacy of the Department's monitoring efforts for the period April 1, 1995 through August 31, 1996. In addition, we reviewed the Department's efforts to evaluate the effectiveness of MEP-RCA. We also verified the Department's compliance with annual appropriations act requirements for the program.

**AGENCY
RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our report contains 5 findings and 5 recommendations. The agency preliminary response indicates that the Department agrees with 4 recommendations and partially agrees with the other recommendation.

The agency complied with the recommendations related to 2 of our 4 prior audit findings and had partially complied with the recommendations related to the other 2 findings.